

**HEARING DATE:** March 11, 2026

**BILL NO:** SB946

**COMMITTEE:** Budget and Taxation

**POSITION:** Technical Testimony

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**TITLE:** Historic Revitalization Tax Credit - Alterations

**BILL ANALYSIS:**

SB946 makes a series of changes to the competitive commercial component of the Maryland Historic Revitalization Tax Credit program including: 1) allowing state and local financial assistance to be included in the “Qualified Rehabilitation Expenditure” calculation which serves as the basis for the tax credit award amount; 2) extending the “testing period” for determining what constitutes a significant rehabilitation from 24 to 60 months; 3) requiring the application of additional place-based scoring criteria when rating and ranking tax credit applications; 4) permitting the Director to accept a tax credit application for projects that have begun but have not been completed; 5) removing the provision that allows MHT to accept tax credit applications for projects that have already begun provided that they have been approved under the federal tax credit program; 6) allowing each structure that is part of a phased rehabilitation of a campus with multiple structures to be treated as a separate projects; 7) permitting projects that have received an initial credit certificate to apply for a supplemental credit if the costs for the rehabilitation have increased due to the inflation of construction costs; 8) requiring the Director to give priority to issuing a supplemental credit certificate over issuing a new initial credit certificate; and, 9) requiring that tax credit funds recaptured as a result of disqualifying work revert to the tax credit reserve fund.

**POSITION AND RATIONALE:**

The Maryland Historic Revitalization Tax Credit Program (“the Program”) is one of the State’s

most powerful economic development and community revitalization tools. Designed to encourage the redevelopment of historic buildings, the program has a track record of creating positive spin-off effects – creating jobs, enhancing property values, encouraging reinvestment and transforming neglected neighborhoods into places where people want to live, work and play.

This program provides assistance to three categories of properties: owner-occupied residential properties, small commercial properties (rehabilitation projects totaling \$500,000 or less), and larger commercial properties, which are funded through a competitive process. SB946 makes changes to the competitive commercial part of the Program only. MDP is providing technical testimony to clarify if and how these changes are expected to impact program administration.

1. Page 6, lines 17-28: Allows state and local financial assistance to be included in the “Qualified Rehabilitation Expenditure” (QRE) calculation which serves as the basis for the tax credit award amount.

Currently any state or local grant, bond bill, and other financial assistance from the State (with certain types of loans excepted) must be deducted from the tax credit project’s QRE calculation. SB946 would eliminate that prohibition. MHT has no concerns about making this change to the Program, but notes that this language was an intentional addition to the statute made by the Maryland General Assembly in 2004. The purpose of this addition was to limit private entities from using state money to leverage more state money since the fundamental purpose of the Program is to leverage *private* investment.

2. Page 7, line 27: Extends the “testing period” for determining what constitutes a significant rehabilitation from 24 to 60 months.

This provision amends the test for determining whether a proposal qualifies as a “significant rehabilitation project,” which requires that the developer spend more than the property’s adjusted basis in rehabilitating it. MHT has no concerns about this change to the Program. However, it should be noted that this proposed change would NOT extend the QRE *expenditure period*, which limits the tax credit to the expenses incurred in a consecutive 24-month period selected by the developer. As a result, the proposed change would not make the Maryland program consistent with the Federal Rehabilitation Tax Credit Program—which calculates the tax credit over a 60-month period—if that is the sponsor’s intent.

3. Pages 8- 9, line 1-13: Requires the application of additional place-based scoring criteria when rating and ranking tax credit applications.

MHT has no concerns about the addition of these scoring criteria.

4. Page 11, line 1: Permits the Director to accept a tax credit application for projects that have begun but have not been completed.

Unlike the Federal Rehabilitation Tax Credit program, the state tax credit program currently prohibits the submittal of applications for projects that have already begun, except for minor “stabilization” work or for projects that have received approval under the federal tax credit program.

Although MHT does not oppose this amendment, it would affect the operation of the tax credit program in potentially significant ways. For example, the change would complicate the rating and ranking process if a developer were to proceed with a project without taking pre-rehabilitation photographs, thus depriving MHT the opportunity to assess the project’s impact on historic features. The amendment would also necessitate changes to the interim milestone deadlines required by the statute, which require work to be initiated within 18 months of the approval of the Initial Credit Certificate (ICC) and to be completed within 30 months of the approval or the ICC will expire and the project closed. Finally, projects that apply after work has begun would do so without the benefit of consultation with MHT, which could significantly impact MHT’s ability to approve an application if noncompliant work has occurred prior to application.

It should be noted that the statutory provision prohibiting MHT from accepting or certifying a competitive commercial project if work has begun was a specific addition to statute made by the Maryland General Assembly in 2004. The purpose of the provision was to ensure that the state historic tax credit incentive was leveraging private development—the logic being that, if the developer can start and initiate the work on the project without securing the funding beforehand, then the project would likely be able to move forward without it.

5. Page 11, Lines 7-10: Removes the provision that allows MHT to accept tax credit applications for projects that have already begun if they have been approved under the federal tax credit program.

Elimination of this exception is recommended only if the amendment described in point 4 remains in the bill.

6. Page 13, Lines 11-20: Allows each structure that is part of a phased rehabilitation of a campus with multiple structures to be treated as separate commercial rehabilitation projects.

The statute already permits MHT to treat a multi-building project as separate commercial rehabilitation projects, but only if the developer subdivides the property before seeking the tax credit. This amendment would achieve the same result, but without requiring the developer to go through the subdivision process. The amendment could also be used to bypass the three-application per developer cap that currently exists and would allow developers to obtain the maximum \$5 million credit for each building on a multi-structure campus.

7. Page 14, line 30; Page 15, lines 1-4: Permits projects that have received an initial credit certificate to apply for a supplemental credit if the costs for the rehabilitation have increased due to the inflation of construction costs.

MHT does not support an amendment that would permit a developer who has already received a tax credit to re-apply the following year seeking additional tax credit funds for the same project. Such an amendment would allow developers effectively to “bank” the first credit, with the hope of getting what they need to launch the project in a subsequent tax credit round. In that scenario, MHT would be assigning limited appropriated funds to projects that are not “shovel ready” and may never move forward without additional funding allocations. That result seems inconsistent with the statute’s focus on leveraging private investment for projects that are ready to be built.

MHT also has concerns about how to score or prioritize the amount of new funding allocated to a project in an equitable and transparent manner and how to evaluate arguments that a supplemental credit is required “due to inflation of construction costs.”

Finally, if this aspect of the bill moves forward, clarification would be needed on whether it applies retroactively to projects awarded tax credits in fiscal year 2026 and earlier. If the intent is to allow for supplemental credits to be awarded to *existing* projects, some dating back four or five years and originally funded under a \$3 million cap, then tax credit funds will be depleted quickly, as prior year projects seek to benefit from the \$5 million per project cap instituted in 2022.

8. Page 15, lines 5-7: Requires MHT to give priority to issuing a supplemental credit certificate over issuing a new initial credit certificate.

MHT does not support this provision. It requires MHT to prioritize funding for supplemental, “budget gap” projects over new projects, which could result in no new projects being funded in a given year.

9. Page 19, line 31-34: Requires that tax credit funds recaptured as a result of disqualifying work revert to the tax credit reserve fund.

MHT has no concerns about this provision.